

Client Alert

International Trade

31 July 2014

EU imposes targeted Russia sanctions (banks, arms and oil-related equipment and technology); imposes Crimea/Sevastopol trade/investment restrictions and adds Russian names to asset freeze list

I. Introduction

The EU has adopted and published **targeted sanctions against Russia** covering banks, the oil sector and arms in response to the situation in Ukraine. The new sanctions include an EU ban on purchase or sale (and related services) of **new bonds, stock or long-term debt from certain Russian major state-owned banks** and their affiliates. Member State authorization will henceforth be required for export of **specified energy-related equipment and technology to Russia**, while supply of such items to Russian deep water, Arctic and shale oil exploration projects is banned. Finally, the new sanctions impose an **arms embargo** on Russia, and impose a **ban on supply of dual-use goods and technology for Russian military use**. These new sanctions measures take effect on **1 August 2014**.

At the same time, the EU has imposed further **trade and investment restrictions** relating to certain natural resources exploitation and infrastructure projects (transport, telecommunications, energy) for **Crimea and Sevastopol** as of **31 July 2014**. The EU has also added 11 Russian parties to the **asset freeze** as of **30 July 2014**.

II. Scope of Targeted Russia Sanctions

On 31 July 2014, Regulation 833/2014 was adopted by the EU.¹ With this Regulation, the EU has commenced the so-called 'phase three' of sanctions targeting Russia in relation to the situation in Ukraine. These new sector specific sanctions measures, which are described in detail below, enter into force on **1 August 2014**.

Financial Sector

With the aim of restricting Russian access to EU capital markets, an EU ban is imposed on the **direct or indirect purchase, sale, brokering and assistance in the issuance of, or other dealings with transferable securities and money-market instruments with a maturity exceeding 90 days** which are issued after 1 August 2014 by **certain Russian institutions majority owned by the state** as listed in Annex III to Regulation 833/2014. The ban also covers parties whose proprietary rights are majority owned by these listed banks or acting on their behalf or at their direction.

The listed Russian banks are as follows:

1. SBERBANK
2. VTB BANK
3. GAZPROMBANK

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¹ See [Council Regulation \(EU\) No 833/2014](#) of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine.

4. VNESHECONOMBANK (VEB)

5. ROSSELKHOZBANK

Oil-related Equipment and Technology

New EU sanctions measures targeting the Russian energy industry focus on restricting future involvement by EU parties in Russian projects.

Annex II to Regulation 833/2014 features a list of 30 items, identified by 6- to 8-digit Customs Classification (Combined Nomenclature) codes, involving **key energy related equipment and technology** (such as line and drill pipe, and rock-drilling or earth-boring tools) which are subject to prior authorization by competent Member State authorities when directly or indirectly sold, supplied, transferred or exported to parties in or for use in Russia. All parties subject to EU jurisdiction will need to comply with this authorization requirement regardless of whether the relevant items originate from the EU. The authorization system is based on the procedures established under the EU Dual Use Regulation.

Most importantly, EU sale, supply, transfer or export of listed items for use in **deep water oil exploration and production, Arctic oil exploration and production, and shale oil projects** in Russia are prohibited, as the EU Member States must deny an export license when they have reasonable grounds to determine that the items are for that purpose.

Member States may, however, grant an authorization in these situations for exports relating to the execution of an obligation arising from a contract or an agreement concluded before **1 August 2014**.

Dual-Use Items and Arms Embargo

Regulation 833/2014 (along with related Council Decision 2014/512/CFSP)² also imposes restrictions on sale, supply, transport or export of so-called dual-use items, and an embargo on sale of arms and military equipment to Russia.

With respect to specified **dual-use goods and technology** (which includes all dual-use items currently listed under Regulation 428/2009³), **direct or indirect supply, sale, transfer or export to parties in or for use in Russia is prohibited when such items are or may be intended for military use or for military end-users**. Again, EU parties are prohibited from supplying dual-use items in these cases regardless of whether the items originate in the EU.

The EU is also imposing an **arms embargo** on Russia, which means that all arms and related materiel on the EU's common military list⁴ cannot be imported into or exported from Russia by parties subject to EU jurisdiction.

The dual-use ban and arms embargo cover related technical assistance, brokering services, financing and financial assistance. Certain exceptions are made, for example, for exports and services involving execution of an obligation arising from a contract or an agreement concluded before **1 August 2014**.

III. Crimea/Sevastopol – Further Trade Restrictions

On 30 July 2014, the EU also adopted **further trade and investment restrictions for Crimea and Sevastopol** in addition to those already introduced through Regulation 692/2014 (for information on the prior sanctions, please see our alert from 25 June 2014 [here](#)). These new restrictions, which were adopted in Council Regulation 825/2014,⁵ entered into force on **31 July 2014**.

These new measures provide for an EU ban on **new investments** specifically relating to **infrastructure in the sectors of transport, telecommunications and energy**, as well as to the **exploitation of oil, gas or mineral resources** (broadly defined in Annex II), in Crimea and Sevastopol. This ban also includes technical assistance or brokering services. Certain exceptions apply for EU investment relating to an agreement or contract concluded before 30 July 2014, conditioned on prior notification to the competent Member State authority.

An EU ban is also imposed on **direct or indirect sale, supply, transfer or export of key equipment and technology** listed in Annex III to Regulation 825/2014 (and

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² See [Council Decision 2014/512/CFSP](#) of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine.

³ See COUNCIL REGULATION (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items (latest consolidated version available [here](#)).

⁴ See latest version of the EU common military list at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2014.107.01.0001.01.ENG.

⁵ See [COUNCIL REGULATION \(EU\) No 825/2014](#) of 30 July 2014 amending Regulation (EU) No 692/2014 concerning restrictions on the import into the Union of goods originating in Crimea or Sevastopol, in response to the illegal annexation of Crimea and Sevastopol.

related technical or financial assistance, financing or brokering services) in relation to the creation, acquisition or development of infrastructure in the above mentioned sectors to parties in or for use in Crimea and Sevastopol. Currently, Annex III is almost identical to the list of oil equipment and technology whose supply to Russia has been made subject to prior authorization by Regulation 833/2014 (see above). Certain exceptions apply to the execution – until **28 October 2014** – of transactions required by a trade contract concluded before **30 July 2014**, provided that the competent Member State authority receives prior notification.

III. Expanded Asset Freeze Targeting Russia

On 30 July 2014, Council Implementing Regulation 826/2014 was adopted and published by the EU⁶ to add another **8 persons and 3 entities** deemed responsible for actions supporting the destabilization of Ukraine to the list of parties subject to an asset freeze and visa ban.⁷

The newly added parties effective **30 July 2014** (and the reasoning given by the Regulation for them being sanctioned) are:

Individuals

1. Alexey Alexeyevich GROMOV (*First Deputy Chief of Staff of the Presidential Administration*)
2. Oksana TCHIGRINA (*Spokesperson of the so-called 'government' of the so-called 'Lugansk People's Republic'*)
3. Boris LITVINOV (*Chairman of the so-called 'Supreme Council' of the so-called 'Donetsk People's Republic'*)
4. Sergey ABISOV (*So-called 'Minister of Interior of the Republic of Crimea'*)
5. Arkady Romanovich ROTENBERG (*Long-time acquaintance of President Putin and his former judo sparring partner, major shareholder of Giprottransmost*)
6. Konstantin Valerevich MALOFFEV (*Closely linked to Ukrainian separatists in Eastern Ukraine and Crimea*)
7. Yuriy Valentinovich KOVALCHUK (*Long-time acquaintance of President Putin, chairman and largest shareholder of Bank Rossiya*)
8. Nikolay Terentievich SHAMALOV (*Long-time acquaintance of President Putin, second largest shareholder of Bank Rossiya*)

Entities

1. JOINT-STOCK COMPANY CONCERN ALMAZ-ANTEY (a.k.a. ALMAZ-ANTEY CORP; a.k.a. ALMAZ-ANTEY DEFENSE CORPORATION; a.k.a. ALMAZ-ANTEY JSC) (*Russian state-owned company manufacturing anti-aircraft weaponry*)
2. DOBROLET aka DOBROLYOT (*Subsidiary of a Russian state-owned airline exclusively operating flights between Moscow and Simferopol*)
3. RUSSIAN NATIONAL COMMERCIAL BANK (*Bank fully owned by the so-called 'Republic of Crimea'*)

Under the asset freeze, all funds and economic resources belonging to, or controlled by, the listed parties and that fall under EU jurisdiction (e.g. are held by EU banks) will be frozen. Furthermore, no funds or economic resources may be made available – directly or indirectly – to or for the benefit of the listed persons by parties falling under EU jurisdiction.

IV. Scope of the Sanctions

The geographic scope of the new sanctions is the same as the previous sanctions relating to Ukraine. The sanctions apply in the following situations: within the EU territory; to nationals of EU Member States (regardless of whether they are inside or outside EU territory); on board vessels and aircraft under Member State jurisdiction; to companies incorporated or registered under the law of a Member State and to other companies in respect of business done in whole or in part in the EU.

⁶ See [Council Implementing Regulation \(EU\) No 826/2014](#) of 30 July 2014 implementing Regulation (EU) No 269/2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

⁷ The total number of parties listed under original Regulation 269/2014 imposing EU sanctions in respect of actions considered to undermine or threaten the territorial integrity, sovereignty and independence of Ukraine now stands at **95 persons and 23 entities** (see our alert from 28 July 2014 on the previous expansion of this list [here](#)).